

FACTORY PRICES INCH UP

EX FACTORY prices inched up marginally in August as Producer Price Index (PPI) surged.

Will this lead to an increase in inflation or prices of goods and services?

However, analysts argue that the PPI does not have much effect on consumer price of goods and services.

PPI, which measures the average change over time in the prices received by domestic producers for the production of their goods and services, shot up from 18.93 percent in July 2010 to 19.51 percent in August 2010.

This translated into a monthly change rate of 0.74 percent as against -0.14 percent recorded in July 2010

With the exception of utilities sub-sector that witnessed a decline, the manufacturing and mining and quarrying sub sector recorded a surge in inflation rates.

Manufacturing the largest with 69.75 percent share of all industry, recorded an inflation rate of 7.38 percent as compared to 7.47 percent in July 2010

11 out of 16 major groups recorded inflation rates higher than the manufacturing sector average.

Manufacture of electrical equipment recorded the highest inflation rate whilst manufacture of motor vehicles, trailers and semi trailers: manufacture of wood, and cork and manufacture of chemical and chemical products recorded negative inflation rates.

Mining and quarrying with 13.97 percent share, recorded the highest inflation of 20.17 percent.

Mining of metals ores and non-ferrous metals ores except uranium and thorium ores recorded inflation rates above average.

Inflation rate for utilities, which include production, transmission and distribution of electricity and collection purification and distribution of water was however negative.

This means that prices in the sub sector went down in the month due to the review of utility tariffs by the Public Utility Regulatory Commission (PURC).

During the 13- month period, all industries recorded the highest inflation rate in December 2009.

The rates however declined from January 2010 to May 2010 before it increased in June 2010.

Source: Daily Guide, Friday 24, September 2010, Page 9.